



North Carolina Department of Health and Human Services
Division of Budget and Analysis
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Michael F. Easley, Governor
Dempsey Benton, Secretary

James B. Slate, Jr., Director

September 5, 2007

MEMORANDUM 2007-07

TO: Division Directors
Office Directors

FROM: Jim Slate 

SUBJECT: DHHS Reduction in Operational Accounts

In the 2007 Conference Committee Report on the Continuation, Expansion and Capital Budgets, the General Assembly effected a \$1,775,000 reduction to operational accounts in the DHHS budget (2XXXX through 5XXXX budget codes). This non-recurring reduction was certified as a negative reserve in the budget of Central Management and Support (budget code 14410). We need to proceed to eliminate this reserve.

The attached schedule presents the allocation by Division of this \$1,775,000 budget reduction. The allocation assigned per Division was based upon state appropriated inflationary increases awarded to each Division through the continuation process. Each Division received a prorated share of this reduction based upon these inflationary increases. Inflationary increases received by the Office of Education Services through this process were not considered since these increases were subsequently eliminated in the 2007-08 expansion budget. The effective impact of these reductions resulted in an across the board 12% reduction to the SFY 07-08 inflationary adjustments received in continuation by each Division in the 2XXXX through 5XXXX accounts.

The reductions allocated to each division are to be accomplished by reducing accounts in the 22XXX through 5XXXX categories. Although inflationary increases were used as the basis for allocating reductions to Divisions, actual reductions to operational accounts do not need to be made on this basis. Please have your Division budget officer initiate a type 11 budget revision transferring the funding in the amount identified on the attached schedule to budget code 14410. These revisions should be completed as a one year revision as this reduction is non-recurring.

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Central Management will also complete a budget revision to eliminate its portion of the negative reserve as identified in the attached schedule. Please have these revisions submitted to this office **no later than September 28, 2007**.

Please contact your analyst in this office if you have any questions.

JBSjr:rk

Attachment

cc: Dempsey Benton
Dan Stewart
Jackie Sheppard
Jennifer Hoffman
Division Budget Officers
B&A Budget Analysts

**Allocation of 2007-08 Department-Wide Reduction Reserve
Conference Report Item #1**

9/5/2007

Division	Appropriations
Central Management	\$ 7,368
Division of Public Health	\$ 419,880
Division of Social Services	\$ 4,285
Division of Medical Assistance	\$ 2,725
Division for Deaf, Blind, HH	\$ 1,667
Division of Mental Health\DD\SAS	\$ 1,232,129
Division of Facility Services	\$ 2,554
Division of Vocational Rehab.	\$ 104,391
Total	\$ 1,775,000

Proposed Allocation of 2007-08 Department-Wide Reduction Reserve Conference Report Item #1

2007-08 Inflationary Adjustments As Contained in the Continuation Budget

Division	Requirements	Receipts	Appropriations	% of Dept. Adjustments for Inflation (Approps.)
Central Management	\$ 63,300	\$ 1,843	\$ 61,457	0.42%
Division of Aging and Adult Services*	\$ 1,517	\$ 1,289	\$ 228	
Office of Education Services*	\$ 277,332	\$ -	\$ 277,332	
Division of Public Health	\$ 3,517,329	\$ 15,255	\$ 3,502,074	23.66%
Division of Social Services	\$ 75,151	\$ 39,409	\$ 35,742	0.24%
Division of Medical Assistance	\$ 45,457	\$ 22,728	\$ 22,729	0.15%
Division for Deaf, Blind, HH	\$ 75,608	\$ 61,701	\$ 13,907	0.09%
Division of Mental Health\DD\SAS	\$ 10,276,751		\$ 10,276,751	69.42%
Division of Facility Services	\$ 21,303		\$ 21,303	0.14%
Division of Vocational Rehab.	\$ 3,359,631	\$ 2,488,943	\$ 870,688	5.88%
Total	\$ 17,713,379	\$ 2,631,168	\$ 15,082,211	100.00%

\$ 14,804,879

Proposed Operational Reductions

Division	Requirements	Receipts	Appropriations	Division Share of Reduction Reserve
Central Management	\$ 7,589	\$ 221	\$ 7,368	0.42%
Division of Aging and Adult Services*	\$ 1,517	\$ 1,289	\$ -	
Office of Education Services*	\$ 277,332	\$ -	\$ -	
Division of Public Health	\$ 421,709	\$ 1,829	\$ 419,880	23.66%
Division of Social Services	\$ 9,010	\$ 4,725	\$ 4,285	0.24%
Division of Medical Assistance	\$ 5,450	\$ 2,725	\$ 2,725	0.15%
Division for Deaf, Blind, HH	\$ 9,065	\$ 7,398	\$ 1,667	0.09%
Division of Mental Health\DD\SAS	\$ 1,232,129	\$ -	\$ 1,232,129	69.42%
Division of Facility Services	\$ 2,554	\$ -	\$ 2,554	0.14%
Division of Vocational Rehab.	\$ 402,802	\$ 298,411	\$ 104,391	5.88%
Total	\$ 2,369,158	\$ 316,598	\$ 1,775,000	100.00%
			11.99%	

* Inflationary increases in continuation for the Office of Education Services were not included due to reductions in the 2007 conference report which subsequently eliminated these increases.

Increases for Aging and Adult Services were also removed since inflationary adjustments would have resulted in a negligible share of reduction reserve (less than \$300).